

A PERMANENT SOURCE OF FUNDING FOR AFFORDABLE HOUSING AND NEIGHBORHOODS







OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Douglas M. Duncan
County Executive

Fellow Montgomery County Residents,

I am proud to serve as the chief executive of Montgomery County. One aspect of Montgomery County's heritage that makes me the most proud is the County's willingness to celebrate its diversity. I recognize that the dramatic recent increases in housing prices are a threat to that diversity. The need for affordable housing has never been greater. From 1998 to 2003, the average price of a home rose 60 percent. Of even greater concern are the results of a January 2004 survey that found 1,000 Montgomery County residents without any place to call home.

Although these figures are daunting, they would be even higher without the innovative and proactive use of the Housing Initiative Fund during the past fiscal year. The Housing Initiative Fund supported a number of special needs housing opportunities in FY04. I am particularly proud of the recently opened Seneca Heights Apartments. This County-owned facility, operated by the Montgomery County Coalition for the Homeless, is home to 40 single formerly homeless adults and 17 families. Adding comprehensive round-the-clock services and intensive case management to a safe place to live enables residents to address the issues that led to their initial homelessness.

The HIF has also been used to prevent displacement of existing residents. An HIF loan helped prevent the displacement of senior citizens living in a high-rise building in downtown Silver Spring and provided resources necessary to prevent the condemnation of a 258-unit condominium in Gaithersburg that is home to hard-working low- and moderate-income families.

Much, much more needs to be done to protect the homes and diversity of residents and neighborhood throughout the County, but I am confident that working together we can continue to make Montgomery County the best possible place to live and work for all of our citizens.

Sincerely,

Douglas M. Duncan
County Executive



HOUSING INITIATIVE FUND'S FLEXIBILITY AND SIZE PAY OFF

The Housing Initiative Fund (HIF) is an innovative, locally funded affordable housing tool that provides flexible loans and grants to help create and preserve affordable housing for Montgomery County's families, singles, seniors and people with special needs. Administered for more than 15 years by the County's Department of Housing and Community Affairs, the HIF is used in a number of strategic and significant ways to advance virtually all of the County's affordable housing priorities. Annual dedicated funding comes from multiple sources including

2.5 percent of the County's property tax revenue.

Unlike most other housing subsidy sources, which are limited to annual or bi-annual competition, funding from the HIF is available throughout the year and does not bring with it a host of requirements, such as highly targeted income restrictions, often associated with federal funding. In addition, the Department of Housing and Community Affairs, working with a dedicated Housing Loan Review Committee, can respond quickly to requests from its nonprofit and for-profit development partners, and speed is particularly important in today's highly competitive real estate market. Targeted, substantial HIF investments in priority County housing projects for families, the elderly and the homeless will pay social and economic dividends for this and future generations.

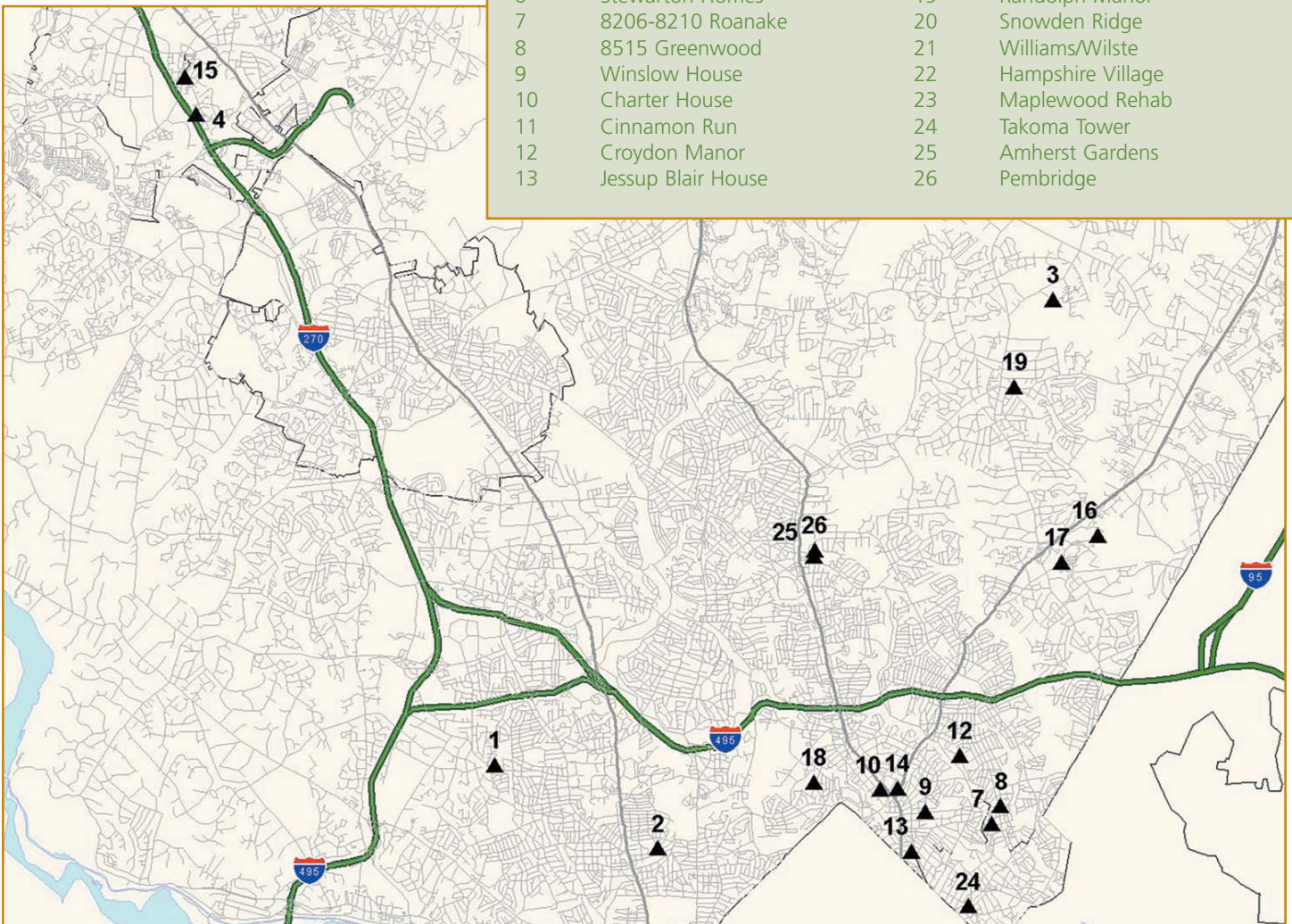


FY04 HIGHLIGHTS

- More than \$21 million in HIF funding was disbursed or committed.
- Nearly 3,000 homes were created, preserved and/or renovated with HIF funding.
- In FY04 HIF funding worked hand in hand to leverage four different federal funding subsidy sources, state grant funding, bond financing and private conventional financing.

Housing Supported with FY04 HIF Funding

ID	Property	ID	Property
1	Greentree Shelter	14	Montgomery Arms
2	Waverly House	15	Montgomery Club
3	Great Hope Homes	16	Montgomery Paint Branch
4	Fireside	17	Montgomery White Oak
5	Seneca Heights	18	Paddington
6	Stewarton Homes	19	Randolph Manor
7	8206-8210 Roanoke	20	Snowden Ridge
8	8515 Greenwood	21	Williams/Wilste
9	Winslow House	22	Hampshire Village
10	Charter House	23	Maplewood Rehab
11	Cinnamon Run	24	Takoma Tower
12	Croydon Manor	25	Amherst Gardens
13	Jessup Blair House	26	Pembridge



RENOVATION OF DISTRESSED BUILDINGS

Creative thinking enabled HIF funding to keep the 258-unit, privately owned Fireside Condominium in Gaithersburg from being condemned. For 10 years, hard working low- and moderate-income owners, with a 2002 median household income of \$30,000, have struggled to develop a financial strategy to address the increasingly serious structural damage caused by defects in the floor supports. Recently City of Gaithersburg inspectors, in consultation with structural engineers, determined that the problem needed to be fixed very quickly or the City would be forced to condemn the building to prevent it from collapsing on residents.

The Fireside Condominium board has been working hard to deal with the buildings' financial and structural issues. They have made great strides in collecting delinquent payments from owners and developed, in consultation with qualified professionals, an extensive renovation plan to address the structural problems caused by the failing floor supports, as well as the need to replace major mechanical systems such as underground pipes and heating systems. Condominium members approved a special assessment to pay for the repairs, ranging from \$76-\$124 a month per unit for 30 years. Low-income residents are eligible for low-interest home repair loans to help ease the burden of this special assessment.

The determination of the condominium board and the progress it has made helped convince the County to provide a no-interest HIF loan of \$637,500 to pay for engineers, project management and temporary relocation assistance, and to provide an additional \$450,000 in HIF funding as a reserve for a \$3.5 million loan from Potomac Valley Bank. This funding allowed the renovation to move forward and by the end of May 2004, renovation had been completed on more than one-third of the units.

County support was critical to preserving the Fireside homes of hundreds of working families who would have an extremely difficult time finding and affording another place to live if the entire complex was condemned. Without County support and its financing set-aside, the bank that is providing the private financing would not have made the loan.



Fireside Condominium

Renovation continues at the historic Montgomery Arms Apartments located at the crossroads of the revitalization efforts in downtown Silver Spring. This 60 year old, 132-unit building needed substantial rehabilitation. The Housing Opportunity Commission owned property is inhabited by households with a wide range of incomes. Renovation is complicated because of the property's historic designation. Lower-income residents cannot afford the rent increase needed to cover the cost of repairs, which include new plumbing and electrical systems, new windows and doors, and new appliances. HIF funding is being combined with project-based rental assistance to avoid displacing low-income residents.



Montgomery Arms

Acquisition of At Risk Housing

The Housing Initiative Fund is an essential tool in helping to preserve existing affordable but unsubsidized apartments. The County’s “Right-of-First Refusal Law” allows tenant associations, the County, or the Housing Opportunities Commission to match market-rate offers to purchase apartment buildings. In FY04, HIF funding of \$4.3 million enabled the Housing Opportunities Commission and the nonprofit Montgomery Housing Partnership to purchase buildings that would either have been converted to upscale apartments—displacing existing residents—or that would have been purchased by owners who lacked the resources to invest in the rehabilitation required in these more than 40-year-old buildings.

An HIF loan of \$500,000 was part of the financing necessary to allow the Housing Opportunities Commission to acquire Paddington Square Apartments, 166 garden-style apartment units located on eight acres in Silver Spring. The buildings, which had not been properly maintained, need new HVAC systems, upgraded electrical and plumbing, new ovens and dishwashers, and cosmetic exterior work. Property management and resident services will be provided on site. Post-rehabilitation rents will be affordable to households with 60 percent of the County median income.



Paddington Square Apartments

Wheaton is facing the potential loss of affordable housing through pressures created by the development of luxury town homes and the rehabilitation needs of older apartments. The nonprofit Montgomery Housing Partnership (MHP), with substantial multi-year support from the HIF, has helped ensure that long-time low-income residents can continue to call Wheaton home. Between 1998 and 2002, MHP purchased the 125-unit Amherst Square Apartments, as well as the 133-unit Pembridge Square, directly across the street from Amherst. In FY04, with a \$1.6 million HIF loan, MHP purchased neighboring 22-unit Amherst Gardens. Substantial improvements in each of these buildings, as well as varied and extensive community life programs that are open to residents of all three buildings, have helped revitalize the neighborhood.



Amherst Square Apartments

Elderly

Montgomery County's senior population is growing at a steady pace, from more than 40,000 residents in 1980 to 80,000 in 2000 and a projected 120,000 in 2015. HIF funding was used in FY04 to help the private and nonprofit affordable housing sectors develop new housing options for the elderly to meet this growing demand, as well as provide much needed investment in existing facilities.

New Construction of Senior Facilities

In FY04 HIF loans helped fund the construction of two new facilities for the elderly. A total of \$5.1 million in FY04 HIF funding was used to finance and leverage state and federal resources to create 185 new homes for low-income seniors; Olney Manor, 102 units of independent senior housing in Olney; and Randolph Manor, 83 units of independent housing in Silver Spring.

HIF funding was critical to the realization of these projects. As the first government funding committed, HIF money helped leverage more than \$15 million of tax-exempt bond funding, and was used in combination with other County and federal rental assistance programs such as the Low Income Housing Tax Credit and the Payment in Lieu of Taxes, or PILOT program. Both developments include several amenities such as a library, visiting doctors, and exercise facilities designed for the elderly.



Olney Manor

Charter House, a 212-unit high-rise apartment building for the elderly in Silver Spring, was on the verge of being converted to luxury non-senior housing and displacing existing residents before HIF funding and a willing nonprofit purchaser came to the rescue. Homes For America, a nonprofit organization dedicated to preserving housing for low- and moderate-income households, purchased the property from the owners, who were on the verge of bankruptcy and had received warnings of imminent foreclosure from their lender.

Preservation of Existing Senior Housing



Randolph Manor

Within 30 days the County, the nonprofit and private financing sources worked together to prevent the eviction of current residents. The \$7.5 million in acquisition and permanent financing from the HIF, which will be spread out over several years, was used to leverage bond financing and federal rental housing assistance. Private financing was provided by Bank of America.

Homes For America, which is not licensed to provide assisted living services, worked closely with the 17



Charter House

residents of Charter House's assisted living units. Representatives from nearby assisted living facilities were invited to a meeting to allow residents and their families to interview them about services available at their facilities. In the three month period from March to early June 2004, all 17 residents found new units, including two residents who were able to contract for outside services that allowed them to move into independent living units at Charter House.

86 year old Josephine Wade moved to Charter House after retiring from 46 years of teaching English and History in the public school system. She likes to talk about how teaching runs in her family. Her grandfather, a free man, was chased out of South Carolina for teaching

slaves how to read. Her daughter is carrying on the family tradition at the University of Rochester. Ms. Wade's nieces and nephews are Montgomery County residents and helped her find her Charter House apartment in 1999. She was drawn to Charter House because of its access to public transportation and good sized rooms, with plenty of room for her books. She finds the staff of Homes For America friendly and participates in the outings to the library, one to the recently-constructed World War II memorial, and weekly resident happy hours. Ms. Wade called the prospect of moving "horrible" and she and her books are glad to be able to stay at Charter House thanks to Homes For America and the Housing Initiative Fund.

In FY04, an HIF loan of \$1,100,000 was part of the financing puzzle put together by the nonprofit Victory Housing to assist in the purchase and renovation of Takoma Tower, a 187-unit 12-story very low-income senior housing development. Victory Housing has worked for three

years to buy the property from the Montgomery County Revenue Authority, an entity whose primary responsibilities include golf course and airport ownership and management. Victory Housing was one of the first nonprofits in the Country to use a new federal program to prepay an existing subsidized mortgage and refinance with federal Low Income Housing Tax Credits. This creative financing package helped the organization raise the \$12.6 million acquisition and rehabilitation budget without raising residents' rents.



Takoma Towers

Anne Ludlow, immediate past president of the Takoma Tower Resident Council, has lived at Takoma Towers for five and a half years,

and enjoys the easy access to the Post Office, stores in Old Town, buses and metro. After her husband died, Ms. Ludlow moved to Takoma Park from Pittsburgh to be near her daughter. She is pleased about the change in ownership at Takoma Tower and looking forward to new and improved apartments, a new dining facility and some of the new—and long overdue—amenities and services proposed by Victory Housing. She noted that she and other residents were especially pleased "to see old chairs from the activity room go out to the dump".

COMPREHENSIVE OPTIONS FOR HOMELESS AND MENTALLY ILL

Montgomery County's rising housing costs, changing demographics, and stress within families have created a growing need for special needs affordable housing—decent, safe, affordable places to live with critical services to help individuals and families deal with the root causes of their homelessness. More than 80 percent of Montgomery County's homeless are tackling one or more of the following issues: a substance abuse problem, mental illness, HIV/AIDS or some other medical disability. Taking the uncertainty out of their housing situation is critical to helping them address these important issues.

A combination of available funding and innovative and important projects made FY04 a particularly successful one in providing housing opportunities for special needs populations. Funding was used to upgrade existing facilities, build new and innovative permanent housing, and team up with other funding sources to convert existing mainstream housing stock to meet the housing and service requirements of special needs residents.



Jessup Blair House



Greentree Homeless Shelter

PARTNERSHIP FOR PERMANENT HOUSING

The partners in the Partnership for Permanent Housing are the Montgomery County Coalition for the Homeless, the Housing Opportunities Commission and the Department of Housing and Community Affairs. This is the second year that this program has harnessed the funding, housing, and service expertise of these agencies. Through this program the Coalition for the Homeless shops for an apartment, townhouse or single-family house for a qualified homeless family or individual. Rent on these units is paid through a federal rental assistance program, and services are provided by the highly qualified Coalition staff.

As of November 2003, 26 families had been accepted into the Partnership for Permanent Housing program, including one two-parent family, two single father-headed families, one intergenerational family and 22 single mother-headed families. These families, which had previously been living in family shelters, hotels, transitional housing and doubled up with families and friends, are now housed in long-term stable housing environments in Gaithersburg, Germantown, Silver Spring and Rockville. Three-quarters of the heads of these households are employed. HIF funding—\$57,960 in FY04—provided critical reassurance to landlords to mitigate the risks of this program, which include late payments of rental subsidies by the federal Department of Housing and Urban Development, and the perceived risk of high levels of tenant damage to apartments. In this way, HIF funding is directly responsible for the County's ability to leverage federal resources to serve this extremely needy and difficult to serve population.

Facilities for homeless people experience more than normal wear and tear because of the

large number of clients who pass through their doors. In FY04 HIF and federal Community Development Block Grant funding was used to pay for the renovations and upgrades at the Greentree Shelter in Bethesda, which serves homeless families. Built in 1930, this facility has many original features and fixtures that were in desperate need of upgrading. HIF funding of \$2 million enabled the renovation to become a reality. The funding was contingent upon Greentree owners' committing to a long-term plan to build and develop operating and replacement reserves. Similar but smaller investments were made in FY04 in the rehabilitation of Maplewood and Jessup Blair House, two emergency and transitional homeless facilities.

The County has also helped nonprofits, such as Housing Unlimited, provide scattered site service-enriched housing.



Housing Unlimited's (HUI) mission is to provide housing and services that allow adults with mental illness to live independently. Founded almost 15 years ago by parents of adults with mental illness, Housing Unlimited currently houses 68 residents in 13 homes. One of these residents, Diane Reynolds, was previously housebound because of her agoraphobia and anxiety. Treatment and a HUI home helped her earn a job at the University of Maryland library as well as several other part-time jobs. She enjoys the camaraderie of her fellow HUI residents, and looks forward to their daily shared meals. HIF and federal funding enabled Housing Unlimited to purchase three more properties in FY04.

Seneca Heights

Recognizing that homelessness is typically the result of a combination of factors—lack of affordable housing, lack of income, and physical disability – a team of County and nonprofit service providers with expertise in each of these areas met for more than two years to develop a supportive housing facility for the homeless. Team members included representatives from the Department of Housing and Community Affairs, the Housing Opportunities Commission, the Montgomery County Department of Health and Human Services, the City of Gaithersburg (where the facility is located), and the nonprofit Montgomery County Coalition for the Homeless. This intensive collaboration resulted in the opening of an innovative, attractive and much-needed service-enriched facility called Seneca Heights.

HIF funding was critical to the creation of these 40 permanent homes for singles and 17 transitional homes for families. Approximately \$4 million of HIF funding was used to acquire

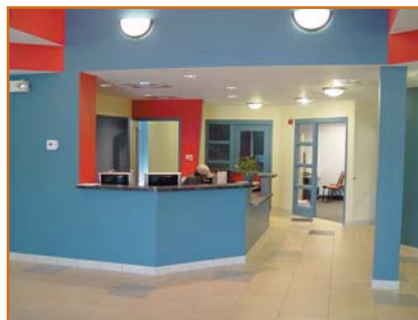


Seneca Heights—before

and rehabilitate this former Econo Lodge; hire architects, development consultants and project staff for the nonprofit operator. HIF funding also helped leverage more than \$4 million in state funding. Project-based rental assistance administered by the Housing Opportunities Commission, a grant from the U.S. Department of Housing and Urban Development and operating support from the Department of Health and Human Services are critical funding components of the ongoing operation.

Seneca Heights is owned by the County and operated by the Montgomery County Coalition for the Homeless. This partnership combines the County's development and property management expertise with the nonprofit's ability to deliver intensive case management to the singles and families at Seneca Heights. Seneca Heights is in an excellent location to meet its resident-needs. A convenience store, small shopping area and restaurants are nearby. Two bus routes have stops next door.

The design of the family-side of the fully-furnished facility provides the flexibility to adapt to the changing family size of residents. Motel rooms were combined in sets of three to create 17



Seneca Heights—after



two-bedroom units, but adjacent units can be reconfigured to form one three-bedroom and one one-bedroom unit. The physical layout has also been designed to ensure that all tenants interact with staff on a daily basis. For instance, the mailboxes are in a high traffic area with seating close by. Passage by the continuously staffed front desk also helps encourage relationships between the residents and staff. Supportive services help residents learn how to shop for and cook nutritious meals, prepare and stick to a budget, and provide positive parenting strategies. These classes help prepare families for the time when they are ready to move out of this transitional housing facility into a home of their own.

Round-the-clock staff and security services, highly trained case managers, a life skills coordinator, a tot lot and basketball court for children and adults, are just some of the features of Seneca Heights that make it a unique and important part of the County's housing and service options for the homeless. This holistic approach to housing the homeless has proven effective in other locations. Two long-term government studies have found that more than 83percent of



homeless individuals placed in supportive housing similar to Seneca Heights have remained in permanent housing and have reentered mainstream society.

Building Neighborhoods to Call Home

New roofs and windows, while important, are not the fabric of a neighborhood. The County's Building Neighborhoods to Call Home effort enables the Housing Initiative Fund to provide funding for social programs and outreach efforts that are critical components of healthy neighborhoods. From computer centers to resident outreach to training for owners of small apartment buildings, this investment in the human side of housing helps maximize the County's investment in the bricks and mortar.



A forgivable HIF loan of \$150,000 allowed the nonprofit Community Preservation and Development Corporation (CPDC) to bring its highly successful “bridging the digital divide” program to the residents of Stewarttown Homes, 94 apartments owned by the Housing Opportunities Commission. HIF funding has leveraged an additional \$240,000 employment grant from the U.S. Department of Labor and helped provide staff support to: 1) facilitate a resident driven community technology and empowerment organization (SNUG, Inc), 2) implement an after school program that provides a safe quiet place to do homework and promotes individualized technology-based learning, 3) engages interested adults in an intensive employment and technology training resulting in marketable job skills, and 4) a 2004

flight-themed summer camp with curriculum provided by and field trips to NASA Goddard Space Center, the Smithsonian's Air and Space Museum and the Montgomery Aviation Park.

Program Coordinator Christopher Goett emphasizes the way technology has raised the overall quality of life at Stewarttown Homes. Most recently, residents voiced concerns about a busy and extremely dangerous traffic intersection. SNUG, Inc researched online how to register a complaint with City Hall. After an in-person meeting with the Gaithersburg City Planner, President and resident Rasheita Turner e-mailed an official concern in order to log the intersection as a hot spot. Two weeks later a stop sign was slated to be installed.

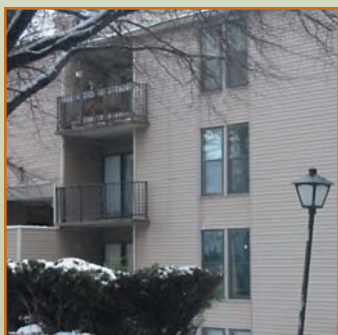


Appendix

ACQUISITION AND RENOVATION OF THREATENED AFFORDABLE APARTMENT BUILDINGS

Property	Units	Location	HIF '04 Funding	Purpose
Amherst Gardens	22	Wheaton	\$1,600,000	Acquisition by nonprofit near other HIF investments
*Croydon Manor	96	Silver Spring	\$ 67,377	Renovation of community center
Fireside Condominium	258	Gaithersburg	\$1,118,604	Repair of life-threatening structural issues
Montgomery Arms	129	Silver Spring	\$1,750,000	Continued renovation of historic mixed-income building
Paddington	144	Silver Spring	\$ 500,000	Acquisition by HOC of deteriorated apartments
Pembroke	133	Wheaton	\$1,373,351	Continued rehabilitation of apartment building
*Winslow House	46	Long Branch	\$1,290,943	Completion of apartment building renovation
Williams/Wilste		Silver Spring	\$ 300,366	Acquisition of apartment building
*8206-8210 Roanoke	39	Long Branch	\$ 20,443	Completion of rehabilitation of small apartment building
*8515 Greenwood	37	Long Branch	\$ 41,000	Completion of rehabilitation of small apartment building

* Described in FY'03 Report



Fireside Condominium



Roanoke



Paddington



Montgomery Arms



Pembroke



Amherst Gardens



Winslow House

Appendix

SPECIAL NEEDS HOUSING

Property	Units	Location	HIF '04 Funding	Purpose
Jessup Blair House	10	Silver Spring	\$ 113,307	Ongoing operational support for transitional Housing
Maplewood Rehab	10	Takoma Park	\$ 101,500	Completion of rehabilitation of homeless shelter
Partnership for Permanent Housing		scattered site	\$ 1,609	Reserves to reassure private landlords making units available to formerly homeless households
Seneca Heights	57	Gaithersburg	\$2,178,694	Acquisition and rehabilitation of motel for homeless families and singles
Greentree Shelter	20	Bethesda	\$1,660,000	Completion of renovation of homeless shelter



Jessup Blair House



Seneca Heights



Greentree Shelter

Appendix

ELDERLY/NEW CONSTRUCTION

Property	Units	Location	HIF '04 Funding	Purpose
Charter House	212	Silver Spring	\$1,336,664	Nonprofit acquisition of facility threatened with foreclosure
Hampshire Village	110	Silver Spring	\$ 345,792	Predevelopment work and construction Assisted/Independent Living
Randolph Manor	83	Silver Spring	\$1,600,000	New construction of senior independent living
Takoma Tower	186	Takoma Park	\$1,100,000	Acquisition and rehabilitation of federally assisted senior housing
*Waverly House	158	Bethesda	\$ 33,798	Completion of rehabilitation of public elderly housing

* Described in FY'03 report



Charter House



Hampshire Village



Randolph Manor



Takoma Tower



Waverly House



Appendix

PRESERVE PRIVATELY OWNED, FEDERALLY SUBSIDIZED UNITS*

Property	Units	Location	Purpose
Cinnamon Run	336	Silver Spring	Maintain federal subsidies
Montgomery Club	109	Silver Spring	Maintain federal subsidies
Montgomery Paint Branch	243	Silver Spring	Maintain federal subsidies
Montgomery White Oak	272	Silver Spring	Maintain federal subsidies
Snowden's Ridge	87	Silver Spring	Maintain federal subsidies
Stewartown Homes	94	Gaithersburg	Staff support for computer center

* Described in FY'03 Report





Montgomery County, Maryland
Housing Initiative Fund